



YOUR ELECTRIC RATES

Austin has changed in the 17 years  
since our last rate review.

Our commitment to our customers remains unchanged.

**Mission:** *Deliver clean, affordable, reliable energy and excellent customer service.*

***Electric Utility Commission – Revenue Requirement  
September 19, 2011***



# Revenue Requirement

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- Revenue Requirement is made up of:

+ O&M Expenses

+ Depreciation Expense

+ **Return**

- Other Income

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= Revenue Requirement



## Options for Return Methodology

### DSC (Debt Service Coverage)

- Debt Service (Principal & Interest – long & short)
- Excess Coverage Requirement  
(% of Debt Service above)

### Cash Flow

- Debt Service (Principal and Interest - long & short)
- Funding of Reserve Requirements
- Annual GFT (General Fund Transfer)
- Annual payments to provide Internally Generated Funds (IGF) for construction



## Cash Flow Return Methodology

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- Developed by Public Utility Commission of Texas (PUCT) in 1999 for municipal electric utilities to comply with State law requiring balanced budgets
- Methodology is consistent with:
  - Transmission Cost of Service (TCOS) filings approved by PUCT
  - Fundamental municipal credit rating criteria
  - ERCOT Nodal credit quality criteria
  - Austin Energy Financial Policies



# Revenue Requirement

Cash Flow Methodology Revenue Requirement Components	Test Year	Basis for Recovery
<b>Total Operations &amp; Maintenance Expenses</b>	<b>\$ 820,034,711</b>	Continue to provide core services
<b>Depreciation &amp; Amortization of CIAC</b>	<b>117,214,512</b>	No impact-reversed in Return
<b>Return:</b>		
<b>Debt Service</b>	<b>168,070,290</b>	Bond Covenant and Financial Policy Compliance
<b>General Fund Transfer</b>	<b>103,000,000</b>	Financial Policy Requirement
<b>Depreciation &amp; Amortization of CIAC</b>	<b>(117,214,512)</b>	No impact
<b>Capital From Current Revenue</b>	<b>111,091,011</b>	Funding requirements within Financial Policy guidelines
<b>Required Contributions to Decommissioning Reserve</b>	<b>6,716,995</b>	Financial Policy Requirement-Fund depleted
<b>Required Contributions to Reserve</b>	<b>15,960,533</b>	Financial Policy Requirement-Funds depleted
<b>Other net (Non-Rate) Revenue</b>	<b>(88,852,737)</b>	Transmission Revenue, Interest Income, Other Revenue
<b>Total Revenue Requirement</b>	<b>\$ 1,136,020,803</b>	

**Financial Policies approved by City Council.**



## Historical Trends Show Need for Rate Review

### Historical Trends (\$millions)

	2007	2008	2009	2010
Net Income (loss)	\$91.0	\$108.9	\$1.9	(\$27.3)
Budget Excess (deficiency)	\$45.3	\$63.5	(\$75.9)	(\$86.1)
Debt Service Coverage (DSC)	2.22	2.25	1.66	1.52



# Forecasting Tools to Measure Affordability

